

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 PM-05 NSC-05 SP-02 SS-15 L-03
H-01 CIAE-00 INR-07 NSAE-00 USIA-06 AID-05 EB-08
STR-04 OMB-01 CEA-01 ABF-01 FS-01 /073 W
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R 050915Z AUG 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 9945
SECDEF WASHDC
TREASURY DEPT
INFO COMUSJAPAN YOKOTA
CINCPAC HONOLULU

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SECDEF ATTN COMPTROLLER; CINCPAC FOR J72

JOINT EMBASSY/USFJ MESSAGE

E.O.11652: N/A
TAGS: MARR, EFIN, BUD, JA
SUBJECT: US-JAPAN DISCUSSIONS ON YEN CONVERSION FOR USFJ

REF: TOKTO 11385

1. SUMMARY: MOF HAS NOW COMPLETED ITS OWN DELIBERATIONS AND CONSULTATIONS WITH OTHER INTERESTED GOJ AGENCIES AND PROVIDED CONSIDERED REPLY TO CURRENT U.S. COUNTERPROPOSALS FOR CHANGES IN MEANS FOR ACQUISITION OF YEN TO MEET REQUIREMENTS OF US FORCES JAPAN AND OTHER US GOVERNMENT AGENCIES. MOF HAS INFORMALLY AGREED TO ALL ELEMENTS US PROPOSALS, AS ANTICIPATED IN PRELIMINARY COMMENTS, AND EMBASSY/USFJ BELIEVE WASHINGTON MAY NOW PROCEED TO INSTITUTE INTERIM ARRANGEMENTS. FINAL FORMAL ACTION TO TERMINATE PRESENT ARRANGEMENTS WOULD, HOWEVER, AWAIT DEVELOPMENT OF LIMITED OFFICIAL USE

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PERMANENT ARRANGEMENTS. END SUMMARY.

2. MOF DELIBERATIONS AND CONSULTATIONS WITH OTHER CONCERNED GOJ AGENCIES CONFIRMED ACCEPTABILITY CURRENT US COUNTERPROPOSALS FOR CHANGES IN MEANS FOR ACQUISITION OF YEN TO MEET REQUIREMENTS OF US FORCES JAPAN AND OTHER US GOVERNMENT AGENCIES. FOLLOWING IS DETAILED REPORT OF

THESE DISCUSSIONS, WHICH HAS BEEN CAREFULLY CHECKED BACK WITH MOF OFFICIALS CONCERNED.

3. REGARDING BASIC ALTERNATIVES OF (A) MEETING YEN REQUIREMENTS OF USFJ AND OTHER US AGENCIES THROUGH MARKET PURCHASES (AS SOON AS ACCEPTABLE ARRANGEMENTS CAN BE COMPLETED), AND (B) CONTINUING PRESENT ARRANGEMENTS WITH BANK OF JAPAN, WITH BOJ AGREEMENT TO RESELL DOLLARS IN THE MARKET, JAPANESE SIDE SAID THAT THE GOVT HAD AGAIN REVIEWED THE LATTER POSSIBILITY BUT CONTINUES TO BELIEVE, IN PRINCIPLE, THAT SUCH FOREIGN EXCHANGE TRANSACTIONS SHOULD BE CONDUCTED IN THE MARKET. FURTHER, THEY REMAIN CONCERNED THAT BOJ RESALES WOULD BE MISINTERPRETED BY MARKET PARTICIPANTS SINCE OTHER GOVTS COULD NOT BE CERTAIN THE DOLLARS WERE ACTUALLY SOLD IN THE MARKET. GOJ THUS BELIEVES THAT YEN REQUIREMENTS OF USFJ SHOULD BE MET THROUGH PURCHASES IN COMMERICAL MARKETS.

4. WITH RESPECT TO US PROPOSAL THAT, AS AN INTERIM ARRANGEMENT, YEN REQUIREMENTS BE MET THROUGH US BANK OR BANKS IN JAPAN, JAPANESE SIDE OBVIOUSLY HAS NO PROBLEMS, SINCE THIS IS WITHIN FRAMEWORK THEY HAD PROPOSED. THEY UNDERSTAND THAT WE PROPOSE TO INSTITUTE THIS ARRANGEMENT FOR A BRIEF TRIAL PRIOD, UNLESS OFFERS RECEIVED ARE UNACCEPTABLE. FYI: METHOD OF SELECTING BANK OR BANKS IS US DECISION, SO LONG AS WE UTILIZE AUTHORIZED FOREIGN LIMITED OFFICIAL USE

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EXCHANGE BANKS IN JAPAN, AND JAPANESE SIDE WAS NOT ASKED TO COMMENT ON THIS ASPECT OF OUR PROPOSALS. END FYI.

5. GOJ UNDERSTANDS THAT DURING INTERIM ARRANGEMENT PERIOD, FEASIBILITY AND ACCEPTABILITY OF PURCHASING YEN THROUGH REGULAR BIDDING IN WORLD FOREIGN EXCHANGE MARKETS WILL BE INVESTIGATED AND THAT THIS WILL IN ANY CASE BE NECESSARY IF NO ACCEPTABLE INTERIM ARRANGEMENT CAN BE MADE. GOJ POSES NO OBJECTION TO OUR MOVING TO SUCH A SYSTEM. JAPANESE SIDE UNDERSTANDS THAT IN THIS CONNECTION WE INTEND TO FOCUS OUR ATTENTION ON THE POSSIBILITY OF UTILIZING DEPARTMENT OF STATE REGIONAL FINANCE AND DATA PROCESSING CENTERS IN PARIS AND BANGKOK, WITH SOME PRESUMPTION THAT THE BANGKOK CENTER WOULD BE SELECTED. THIS ARRANGEMENT IS NOT ONLY POSSIBLE ARRANGEMENT. THEY FURTHER UNDERSTAND THAT OUR ONLY OBJECTIVE IN ANY SUCH YEN PURCHASE ARRANGEMENT WOULD BE TO OBTAIN YEN IN MOST EFFICIENT AND ECONOMICAL MANNER.

6. WITH RESPECT TO YEN ACQUISITION IN EVENT OF CLOSURE OF JAPANESE FOREIGN EXCHANGE MARKET, JAPANESE SIDE AGREES THAT, IF IT IS CONSIDERED NECESSARY FOR USFJ TO OBTAIN YEN FROM OTHER THAN COMMERCIAL MARKETS, THE GOJ WOULD

PROVIDE YEN REQUIRED BY USFJ.

7. EMBASSY/USFJ BELIEVE FOREGOING PROVIDES ADEQUATE ASSURANCES SO THAT WASHINGTON CAN PROCEED TO INSTITUTE INTERIM ARRANGEMENTS. IF ACCEPTABLE INTERIM ARRANGEMENT IS WORKED OUT, WE PROPOSE FINANCE SUBCOMMITTEE PREPARE INTERIM REPORT TO JOINT COMMITTEE NOTING THAT THE US WAS ADOPTING INTERIM ARRANGEMENT. ANTICIPATE JOINT COMMITTEE APPROVAL OF INTERIM REPORT AND FINAL FORMAL JOINT COMM ACTION AFTER REASONABLE PERIOD OF OPERATIONS THEREUNDER.

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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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